

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)	
)	
AT&T Communications)	DA 95-2407
Tariff F.C.C. Nos. 1 and 13)	
Transmittal Nos. 7322 and 7848)	
)	
Bell Atlantic Telephone Companies)	CC Docket No. 94-139
Tariff F.C.C. No. 1,)	
Transmittal Nos. 704 and 747)	

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BELL ATLANTIC¹ REPLY

Only a single commenter filed in opposition to Bell Atlantic's direct case.² In that opposition, MCI mischaracterizes the record, and ignores the appeals court decision that controls this investigation.³ In fact, Bell Atlantic's exogenous treatment of costs associated with the adoption of Statement of Financial Accounting Standards 112 ("SFAS 112") was consistent with the Commission's rules in place at the time as clarified by the Court. The Commission should close its investigation without modification of Bell Atlantic's tariffs.

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² MCI Telecommunications Corporation, Opposition to Direct Case (filed Jan. 31, 1995) ("MCI Opposition").

³ *Southwestern Bell Telephone Co. v. FCC*, 28 F.3d 165 (D.C. Cir. 1994) ("*Southwestern Bell*").

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MCI mischaracterizes the record by alleging that in Bell Atlantic's showing that there was no double counting of SFAS 112 costs in the GNP-PI, Bell Atlantic "relies solely on" studies filed by the United State Telephone Association in support of exogenous treatment for costs associated with the adoption of SFAS 106.⁴ This is simply untrue. In both the original tariff proceeding and in its direct case, Bell Atlantic filed analyses specific to SFAS 112. Bell Atlantic only sought exogenous treatment for the transition obligation and those studies, performed by Andrew Abel and Peter Neuwirth, demonstrated that the transition obligation -- the catch-up cost associated with the adoption of SFAS 112 -- is a sunk cost that will have no impact on forward looking marginal costs and therefore cannot impact the GNP-PI.⁵ As a result, there is no double counting, and the appropriate offset must be zero.⁶ MCI offers no challenge to these conclusions.

In addition to the new studies, Bell Atlantic also relies on expert studies done in the SFAS 106 investigation.⁷ MCI argues that these studies should be ignored because they have previously been rejected by the Commission.⁸ The D.C. Circuit, however, found that the Commission's wholesale rejection of these studies was improper.⁹ Astonishingly, MCI fails to

⁴ MCI Opposition at 2. Without support, MCI argues that the entire amount of Bell Atlantic's exogenous costs double count GNP-PI impacts. *Id.*

⁵ See Bell Atlantic Direct Case, Tab J, Ex. 24-a and Ex. 24-b.

⁶ See Summary of Bell Atlantic Direct Case at 3-4. Bell Atlantic nevertheless included the same offset that was found to be appropriate for SFAS 106. Thus, if anything, Bell Atlantic has erred by overcompensating for the nonexistent GNP-PI impact of SFAS 112.

⁷ See, e.g., Bell Atlantic Direct Case, Tab J, Ex. 24-d.

⁸ MCI Opposition at 2-3.

⁹ *Southwestern Bell*, 28 F.3d at 171-172.

address or even cite the appeals court decision and instead blindly repeats criticisms specifically rejected by that court.

Specifically, MCI complains that the SFAS 106 studies rely on “unverifiable assumptions.”¹⁰ The appeals court, however, rejected that very argument and found that the Commission could reject the studies only “if there was no way of obtaining even conservative estimates.”¹¹ In fact, the studies perform “both an actuarial analysis and a macroeconomic analysis” that is “performed in a very conservative manner.”¹² MCI offers no substantive argument to discredit these results.

CONCLUSION

Based on the foregoing and the prior pleadings filed herein, the Commission should conclude its investigations without modifications to Bell Atlantic’s tariffed rates.

Respectfully submitted,

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¹⁰ MCI Opposition at 2.

¹¹ *Southwestern Bell*, 28 F.3d at 172.

¹² Bell Atlantic Direct Case, Tab J., Ex. 24-c at 2.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Bell Atlantic Reply" was sent by first class mail, postage prepaid, this 7th day of February, 1996 to the parties on the attached list.


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* Via hand delivery.

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